

ADDITIONAL NEW BUSINESS

1 2016 Flexible Workplan Status Update

2 AAIA Conference Update



LEASE AND CONCESSION AGREEMENT AUDIT

SeaTac Rentals Inc. dba Payless Car Rental

AUDIT OBJECTIVES AND SCOPE

The purpose of the audit was to determine whether Port management monitoring controls are adequate and effective to ensure:

- SeaTac Rentals Inc. reported Concession Fees were complete, properly calculated, and remitted timely to the Port.
- SeaTac Rentals Inc. and lessee complied with provisions of the Lease and Concession Agreement, as amended.
- Customer Facility Charges (CFC) were properly collected and remitted.

We reviewed information for the period May 17, 2012 - May 31, 2014.



LEASE AND CONCESSION AGREEMENT AUDIT

SEATAC Rentals dba Payless Car Rental

BACKGROUND

SeaTac Rentals dba Payless Car Rental is a subsidiary of Avis Budget Group.

The lease and concession agreement with SeaTac became effective May 17, 2012. The terms of the agreements provide for a Minimum Annual Guarantee (MAG) of 85% of the total amount paid to the Port in the previous agreement year. Additionally, the agreement requires Percentage Fee equal to ten percent (10%) of gross revenues, provided the fee is higher than the monthly MAG.

FINANCIAL HIGHLIGHTS

KEY FINANCIAL RESULTS FOR SEATAC RENTALS, INC AGREEMENT		
AGREEMENT YEAR	REPORTED GROSS REVENUES	CONCESSION PAID
2012 ¹ -2013	\$ 4,545,900	\$454,590
2013-2014	5,784,331	578,433
TOTAL	\$ 10,330,231	\$ 1,033,023

Data Source: PeopleSoft Financials and Propworks

Data Note: ¹Started 05/17/2012

LEASE AND CONCESSION AGREEMENT AUDIT

SEATAC Rentals dba Payless Car Rental

AUDIT RESULT

Management controls are effective to ensure that reported concession fees were materially complete, properly calculated, and remitted timely to the Port. The Lessee materially complied with the terms of the Lease and Concession Agreement, as amended.

However, we determined that Customer Facility Charge (CFC) was underreported. We recommend Port management seek recovery of \$19,682 in CFC charges. We also recommend Port management consider assessing applicability a one-time late fee, accrued interest, audit cost, and seek recovery from the tenant as appropriate.

One Reportable Finding:

1. The Customer Facility Charge (CFC) was underreported



LEASE AND CONCESSION AGREEMENT AUDIT

Marel Seattle Inc.

BACKGROUND

Marel is the leading global provider of advance food processing systems and services for the poultry, fish, meat and further processing industry. The company provides equipment and systems help food processors of all sizes, in all markets, to operate at peak productivity

After conducting our planning and assessing the risks of the agreement, we have decided to discontinue the audit. We did not identify any significant risks, and further audit testing would add no value



COMPREHENSIVE OPERATIONAL AUDIT

Ground Transportation

BACKGROUND

Ground Transportation (GT) is responsible for the Airport's GT businesses. All GT activities are monitored by ten controllers who oversee the operation by monitoring the upper drive, lower drive, commercial lanes on the third floor of the parking garage, cell phone lots, and airport roadways. The controllers are responsible for inspecting taxis and limos, as well as monitoring commercial vehicles that utilize the airport to ensure that all the operators follow State, County, and Port regulations.

From the Ground Transportation Center (GTC), limos and charter buses are dispatched, as well as assisting phone-in and walk-up customers. The GTC is located in the center of the third floor of the parking garage. GT operators generate more than 2.8 million trips annually.

GT also employs Tour Group Coordinators (TGC's) during the cruise ship season (May through October). TGC's are a vital component to providing safe and efficient operations of charter bus operations in the North, South, and off-site lots. Their responsibilities include, assisting cruise passengers, assigning parking spaces, directing bus drivers into and out of assigned parking spaces, and dispatching buses from the 28th holding and South lot.



COMPREHENSIVE OPERATIONAL AUDIT

Ground Transportation

FINANCIAL HIGHLIGHTS

2015 GROUND TRANSPORTATION REVENUE				
SOURCE	AGREEMENT		AMOUNT	PERCENTAGE
Puget Sound Dispatch / Yellow Cab	Concession	\$	4,516,749	51%
Courtesy Cars	Operating - Per Trip Fee		2,194,717	25
STILA On-Call Limousines	Concession		868,780	10
Pre-Arranged Limousines	Operating - Permit Fee		362,523	4
Charter Buses	Operating - Per Trip Fee		221,797	3
Shared Ride Vans	Per Trip Fee *		195,020	2
Belled-In Taxis	Operating - Permit Fee		132,479	2
Citations	N/A		118,350	1
Space Rental	N/A		89,534	1
Airporter / Parcel Carriers	Operating - Per Trip Fee / Permit		94,126	1
TOTAL		\$	8,794,075	100%

Data Source: PeopleSoft Financials

* Includes Shuttle Express (Concession) and Crew Vans (Operating)



COMPREHENSIVE OPERATIONAL AUDIT

Ground Transportation

AUDIT OBJECTIVES AND SCOPE

The purpose of the audit was to determine:

- Accuracy and timeliness of Seattle Tacoma International Limousine Association (STILA) billing and payments
- Accuracy and completeness of STILA reported trip data
- Effectiveness of billing processes (including Transportation Network Company's)
- Sufficiency of Ground Transportation (GT) staffing levels
- Effectiveness of management monitoring controls of key contractual elements within STILA and Puget Sound Dispatch, LLC DBA Yellow Taxi Association* (PSD) including:
 - Green initiatives
 - Insurance requirements
 - Safety



AUDIT RESULT

Environmental requirements have adequately been met and management monitoring controls continue to improve. Although GT management had not monitored this requirement, we verified that STILA has seven hybrid sport utility vehicles within their fleet. The concession agreement requires six. We also discussed PSD requirements with management from Environmental and generally conclude that monitoring of “green” initiatives is improving to mitigate risk of non-compliance.

However, staffing levels may not be sufficient to meet Aviation business goals and essential job functions (see issue 1).

Additionally, management oversight and approval has not been incorporated into the internal control structure. Although no material differences were identified between STILA and Port trip counts, additional trip fee revenue and rent credits were not applied timely as required by the Concession Agreement dated January 12, 2011. We also identified that a process does not exist to obtain insurance documents as required in the STILA and PSD concession agreements and in some operating agreements (see issue 2).

Two Reportable Findings:

1) Resources May Not be Sufficient to Meet 2016 Aviation Business Goals

2) Management Oversight of Contract Requirements Should be Improved so That Contract Terms are Enforced

Health Insurance Portability and Accountability ACT

BACKGROUND

The HIPAA Security Rule includes the potential risks and vulnerabilities to the confidentiality, availability and integrity of all electronic protected health information (ePHI) that an organization creates, receives, maintains or transmits. This includes e-PHI in all forms of electronic media or portable electronic media. Electronic media includes a single workstation as well as complex networks connected between multiple locations.

Thus, an organization's risk analysis should take into account all of its ePHI, regardless of the particular medium in which it is created, received, maintained or transmitted, and regardless of the source or location of the e-PHI.

The HIPAA Privacy Rule extends the administrative, physical and technical safeguards of the HIPAA Security Rule to non-electronic PHI. 42 CFR 164.530(c) requires covered entities to have in place "appropriate administrative, physical and technical safeguards to protect the privacy of protected health information." Additional clarification is provided by the Office for Civil Rights (OCR) in its commentary on the Interim Final Breach Notification Rule in which it notes that "...the term 'unsecured protected health information' can include information in any form or medium, including electronic, paper, or oral form." (Federal Register, Volume 74, No. 162, Monday, August 24, 2009. "Breach Notification for Unsecured Protected Health Information")

INFORMATION TECHNOLOGY AUDITS

Health Insurance portability and Accountability ACT (HIPAA)

AUDIT OBJECTIVES AND SCOPE

The purpose of the audit was to ensure that the Port is in compliance with the requirements of the Health Insurance Portability and Accountability ACT (HIPAA)

HIGHLIGHTS AND ACCOMPLISHMENTS

During the course of the audit, we observed the Port is well along the way towards compliance and implementing a robust information security program.



Health Insurance portability and Accountability ACT (HIPAA)

AUDIT RESULT

The Port is not in full compliance with the HIPAA act, which is prescriptive in its requirements. Opportunities exist to enhance Port practices and document procedures to become compliant.

The Port of Seattle has made significant improvements to implement a robust information security program. However, several significant risks remain.



ADDITIONAL NEW BUSINESS

- 1 Request for Funding of Additional Capital Program Audits

